

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Uby	County Huron
Audit Date 2/28/05	Opinion Date 8/5/05	Date Accountant Report Submitted to State: August 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Brining & Nartker, P.C.

Street Address

64 Westland Drive

City

Bad Axe

State

MI

ZIP

48413

Accountant Signature

Brining & Nartker, P.C. by: Douglas P. Brining CPA

Date

8/29/05

**VILLAGE OF UBLY
UBLY, MICHIGAN**

**FINANCIAL REPORT
FEBRUARY 28, 2005**

VILLAGE OF UBLY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Activities	3
FUND FINANCIAL STATEMENTS:	
Balance Sheet – Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
BUDGETARY COMPARISON SCHEDULES:	
General Fund	12 - 14
Major Street Fund	15
Local Street Fund	16
<u>ADDITIONAL INFORMATION</u>	
Balance Sheet – Nonmajor Governmental Fund – Library Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Fund – Library Fund	18

BRINING & NARTKER, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Ubly, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Ubly, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Ubly, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not prepared their discussion and analysis information for the Village of Ubly, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Ubly, Michigan as of February 28, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of February 28, 2005.

The budgetary comparison information on pages 12 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ubly, Michigan's basic financial statements. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRINING & NARTKER, P.C.
Certified Public Accountants

August 5, 2005

BASIC FINANCIAL STATEMENTS

**VILLAGE OF UBLY, MICHIGAN
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005**

	GOVERNMENTAL <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:		
Current assets:		
Cash	\$ 756,495	\$ 756,495
Due from State of Michigan	15,246	15,246
Capital assets - net of accumulated depreciation	1,949,075	1,949,075
TOTAL ASSETS	<u>2,720,816</u>	<u>2,720,816</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	13,573	13,573
Accrued wages	7,706	7,706
Current maturities of long-term debt	8,781	8,781
Noncurrent liabilities:		
Noncurrent portion of long-term debt	40,043	40,043
Accumulated compensated absences	19,492	19,492
TOTAL LIABILITIES	<u>89,595</u>	<u>89,595</u>
NET ASSETS:		
Investment in capital fixed assets net of related debt	1,900,251	1,900,251
Restricted for:		
Streets	490,090	490,090
Unrestricted	240,880	240,880
TOTAL NET ASSETS	<u>\$ 2,631,221</u>	<u>\$ 2,631,221</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF UBLY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005**

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
	EXPENSES				
FUNCTIONS:					
Governmental Activities					
General Government	\$ 176,109	\$ 47,913	\$ 4,115	\$ (124,081)	\$ (124,081)
Public Safety	97,195	-	19,087	(78,108)	(78,108)
Public Works	182,749	154,097	-	(28,652)	(28,652)
Recreation and Culture	7,774	-	500	(7,274)	(7,274)
Streets	64,530	-	99,319	34,789	34,789
Library	79,374	14,728	20,119	(44,527)	(44,527)
Total Governmental Activities	<u>\$ 607,731</u>	<u>\$ 216,738</u>	<u>\$ 143,140</u>	<u>(247,853)</u>	<u>(247,853)</u>
GENERAL REVENUES:					
Property taxes				263,592	263,592
State sources				87,734	87,734
Investment earnings				10,455	10,455
Miscellaneous				17,537	17,537
SPECIAL ITEM:					
Gain on sale of equipment				651	651
TOTAL GENERAL REVENUES AND SPECIAL ITEM				<u>379,969</u>	<u>379,969</u>
CHANGE IN NET ASSETS				<u>132,116</u>	<u>132,116</u>
NET ASSETS - BEGINNING OF YEAR				2,499,105	2,499,105
NET ASSETS - END OF YEAR				<u>\$ 2,631,221</u>	<u>\$ 2,631,221</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF UBLY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005**

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	NON-MAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash	\$ 247,104	\$ 322,593	\$ 153,188	\$ 33,610	\$ 756,495
Due from State of Michigan	-	11,040	4,206	-	15,246
Due from other funds	-	-	469	-	469
TOTAL ASSETS	<u><u>\$ 247,104</u></u>	<u><u>\$ 333,633</u></u>	<u><u>\$ 157,863</u></u>	<u><u>\$ 33,610</u></u>	<u><u>\$ 772,210</u></u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 11,367	\$ 593	\$ 813	\$ 800	\$ 13,573
Accrued wages	469	-	-	-	469
Due to other funds	7,706	-	-	-	7,706
TOTAL LIABILITIES	<u>19,542</u>	<u>593</u>	<u>813</u>	<u>800</u>	<u>21,748</u>
FUND BALANCE:					
Unreserved	227,562	333,040	157,050	32,810	750,462
TOTAL FUND BALANCE	<u>227,562</u>	<u>333,040</u>	<u>157,050</u>	<u>32,810</u>	<u>750,462</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 247,104</u></u>	<u><u>\$ 333,633</u></u>	<u><u>\$ 157,863</u></u>	<u><u>\$ 33,610</u></u>	<u><u>\$ 772,210</u></u>

**VILLAGE OF UBLY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
FEBRUARY 28, 2005**

Total governmental fund balances	\$ 750,462
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,949,075
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(68,316)
Net assets of governmental activities	<u><u>\$ 2,631,221</u></u>

The accompany notes are an integral part of the financial statements.

**VILLAGE OF UBLY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005**

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	NON-MAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 191,596	\$ 34,978	\$ 15,899	\$ 21,119	\$ 263,592
Licenses and permits	4,115	-	-	-	4,115
Intergovernmental revenue	87,734	13,965	15,011	16,486	133,196
State grants	-	47,627	22,716	3,633	73,976
Charges for services	136,769	-	-	5,753	142,522
Interfund equipment rentals	59,577	-	-	-	59,577
Fines	5,609	-	-	-	5,609
Interest and rentals	7,994	4,117	2,340	10,643	25,094
Contributions	-	-	-	2,477	2,477
Miscellaneous	27,795	-	-	1,894	29,689
TOTAL REVENUES	521,189	100,687	55,966	62,005	739,847
EXPENDITURES:					
Current:					
General government	173,221	-	-	-	173,221
Public safety	100,068	-	-	-	100,068
Public works	283,723	-	-	-	283,723
Recreation and culture	4,816	-	-	-	4,816
Capital outlay	191,969	-	-	-	191,969
Streets	-	35,408	29,122	-	64,530
Library	-	-	-	72,171	72,171
TOTAL EXPENDITURES	753,797	35,408	29,122	72,171	890,498
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(232,608)	65,279	26,844	(10,166)	(150,651)
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt	48,824	-	-	-	48,824
Loan payments	(526)	-	-	-	(526)
TOTAL OTHER FINANCING SOURCES (USES)	48,298	-	-	-	48,298
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(184,310)	65,279	26,844	(10,166)	(102,353)
FUND BALANCE - BEGINNING OF YEAR	411,872	267,761	130,206	42,976	852,815
FUND BALANCE - END OF YEAR	<u>\$ 227,562</u>	<u>\$ 333,040</u>	<u>\$ 157,050</u>	<u>\$ 32,810</u>	<u>\$ 750,462</u>

**VILLAGE OF UBLY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005**

Total net change in fund balances - governmental funds	\$ (102,353)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	272,340
Repayment of loans is an expenditure in governmental funds but reduces long-term liabilities in the statement of net assets.	526
Long-term debt proceeds are not reported as financing sources when in the statement of activities.	(48,824)
Decrease in accumulated compensated absences is recorded when earned in the statement of activities.	10,427
Change in net assets of governmental activities.	<u>\$ 132,116</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF UBLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Ubly, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

Reporting Entity:

The Village operates under an elected council and provides the following services to its residents as authorized by its charter: public safety - police and fire, water, highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The Village is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Village.

Accounting Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the Interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

**VILLAGE OF UBLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The governmental fund financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are licenses and interest revenue charges for services, fine, and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and Local Street Fund are used to account for the resources of state gas and weight tax revenues that are restricted for use on major streets and local streets, respectively.

Property Taxes:

Properties are assessed as of June 30, and the related property taxes become a lien on June 1 of the following year. These taxes are due on September 14 after which they are added to the County tax roll. The delinquent real property taxes of the Village are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Village as collection occurs.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide statement of net assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In accordance with the provisions of GASB 34, the Village has elected to capitalize the cost of governmental fund infrastructure assets after the implementation date of GASB 34. Prior acquisitions or construction costs of infrastructure assets will not be recorded. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	20 years
Wells, water lines and equipment	20 to 40 years
Bridge	40 years
Vehicles	5 to 15 years
Office equipment	5 to 10 years

Interfund Balances:

In the governmental fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

(Continued)

**VILLAGE OF UBLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accumulated Compensated Absences:

Under agreements with the Village, certain employees are allowed to accumulate up to 90 days of sick leave for subsequent use or for payment upon termination. All sick leave is accrued when incurred in the government-wide financial statements. Governmental funds record the vested sick leave as an expenditure of the current year to the extent it is paid during the year. The liability has been computed based on pay rates in effect as of February 28, 2005.

Budgets:

Annual budgets are approved prior to the beginning of the fiscal year and are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Village does not utilize encumbrance accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The legal level of budgetary control adopted by the governing body is the department level.

In the financial statements, the Village's actual expenditures and budgeted expenditures have been shown on a departmental basis. The approved budgets of the Village for these budgetary funds were adopted at the departmental level.

During the year ended February 28, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, as follows:

<u>FUND</u>	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund:			
Public Safety	\$ 97,000	\$ 100,068	\$ 3,068
Parks and Public Works	\$ 230,530	\$ 283,723	\$ 53,193
Local Street Fund	\$ 22,000	\$ 29,122	\$ 7,122
Library Fund	\$ 54,300	\$ 72,171	\$ 17,871

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; Unites States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village's cash accounts consist of various interest bearing checking accounts and certificates of deposit. As of February 28, 2005, the carrying amount of the Village's deposits was \$756,495 and the bank balance was \$768,007. Of the bank balance, \$527,251 was covered by Federal Depository Insurance.

**VILLAGE OF UBLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the current year was as follows:

	BALANCE MARCH 1, <u>2004</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE FEBRUARY 28, <u>2005</u>
Capital Assets Not Being Depreciated				
Land	\$ 76,810	\$ -	\$ -	\$ 76,810
Capital Assets Being Depreciated				
Buildings	653,843	138,121	-	791,964
Improvements	1,134,973	144,734	-	1,279,707
Equipment	277,808	66,448	20,147	324,109
	<u>2,066,624</u>	<u>349,303</u>	<u>20,147</u>	<u>2,395,780</u>
Less: Accumulated Depreciation				
Buildings	173,583	18,835	-	192,418
Improvements	118,956	32,800	-	151,756
Equipment	181,160	18,328	20,147	179,341
	<u>473,699</u>	<u>69,963</u>	<u>20,147</u>	<u>523,515</u>
Total Capital Assets Being Depreciated - Net	<u>1,592,925</u>	<u>279,340</u>	<u>-</u>	<u>1,872,265</u>
Governmental Activity Capital Assets - Net	<u>\$ 1,669,735</u>	<u>\$ 279,340</u>	<u>\$ -</u>	<u>\$ 1,949,075</u>

Depreciation expense was charged to programs of the Village as follows:

General Government	\$ 4,098
Public Safety	6,253
Public Works	40,580
Recreation and Culture	2,958
Library	16,074
	<u>\$ 69,963</u>

NOTE 5 – LONG-TERM DEBT:

- A. Federal loan funds in the amount of \$20,000 were received from the Rural Electrification Administration and were passed through to the Village by Thumb Electric Cooperative of Michigan. The non-interest bearing loan provides for monthly payments in the amount of \$175 beginning March 1997 through September 2004. The loan was paid in full at February 28, 2005.
- B. During the year ended February 28, 2005 the Village financed \$48, 824 of its well improvement costs through Municipal Services Group which subsequently assigned the financing to Citizens Bank of Las Cruces. The financing requires five annual payments of \$11, 374 including interest at 5.31% beginning December 2005.

(Continued)

**VILLAGE OF UBLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

NOTE 5 – LONG-TERM DEBT: (Continued)

The following is a summary of changes in long-term debt for the year ended February 28, 2005.

	BALANCE MARCH 1, <u>2004</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE FEBRUARY 28, <u>2005</u>
Thumb Electric Cooperative of Michigan	\$ 526	\$ -	\$ 526	\$ -
Citizens Bank of Las Cruces	-	48,824	-	48,824
Accumulated compensated absences	29,919	-	10,427	19,492
Total	<u>\$ 30,445</u>	<u>\$ 48,824</u>	<u>\$ 10,953</u>	<u>\$ 68,316</u>

Annual debt service requirements to maturity for the financing with Citizens Bank of Las Cruces is as follows at February 28:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 8,781	\$ 2,593
2007	9,248	2,126
2008	9,739	1,635
2009	10,256	1,118
2010	10,800	574
	<u>\$ 48,824</u>	<u>\$ 8,046</u>

NOTE 6 - DEFERRED COMPENSATION PLAN:

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the plan, are held in trust for the exclusive benefit of the participants and their beneficiaries. The Village has little administrative involvement and does not perform the investing function for the plan. Therefore, the Village does not have fiduciary accountability and does not hold the assets in a trustee capacity. As such, the assets and income of the plan are not reported as a part of the Village's activities.

NOTE 7 – DEFINED BENEFIT PENSION PLAN:

Plan Description

The Village participates in the Michigan Municipal Employees' Retirement System (MERS) an agent multiple-employer defined benefit pension plan that covers all full-time DPW and police employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: MERS, 447 N. Canal Road, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

Employees are required to contribute 7% of their annual earnings to the System. The Village is required to contribute amounts necessary to fund the System using sound actuarial methods. The rate for the year ended February 28, 2005 was 8.38%.

(Continued)

**VILLAGE OF UBLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

NOTE 7 – DEFINED BENEFIT PENSION PLAN: (Continued)

Annual Pension Cost

For the year ended February 28, 2005, the Village made actual contributions of \$12,778 which were made based on actual payroll rather than the estimated payroll used in the actuarial valuation. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002 using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected salary increases of 4.5% to 8.66% per year, and (c) a 3% to 4% per year cost of living adjustment. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis.

Three year trend information based on actuarial reports at December 31 is as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual Pension Cost	*	\$ 15,960	\$ 13,164
Percentage of APC Contributed	*	100%	100%
Net Pension Obligation	*	\$ -	\$ -
Actuarial Value of Assets	\$ 209,677	\$ 244,883	\$ 288,708
Actuarial Accrued Liability	\$ 283,284	\$ 412,926	\$ 405,314
Unfunded AAL	\$ 73,607	\$ 168,043	\$ 116,606
Funded Ratio	74%	59%	71%
Covered Payroll	\$ 124,891	\$ 159,027	\$ 148,384
UAAL as a Percentage of Covered Payroll	59%	106%	79%

*Information is not available because the Village's first year in the plan occurred during the year ended February 28, 2003.

NOTE 8 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The Village participates in the Michigan Municipal Liability and Property Pool for claims related to property loss, natural disasters, general liability, errors and omissions and auto liability. The Village also participates in the Michigan Municipal Worker's Compensation Fund for claims related to workers compensation. The Pool operates as a common risk-sharing management program for governmental units in Michigan. Member premiums are used to purchase insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY:

For the year ended February 28, 2005, the Village implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. It creates new basic financial statements which now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Also the statement requires a management's discussion and analysis letter to offer readers a narrative of the financial statements.

As a result of implementing GASB Statement No. 34, net assets were restated at March 1, 2004 as follows:

Fund Balance - Governmental Funds - March 1, 2004	\$ 852,815
Capital Assets - Net	1,676,735
Long-term Debt	(526)
Accumulated Compensated Absences	(29,919)
	<u>\$ 2,499,105</u>

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF UBLY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Taxes:				
Current taxes	<u>\$ 185,000</u>	<u>\$ 191,116</u>	<u>\$ 191,596</u>	<u>\$ 480</u>
Licenses and permits	<u>5,500</u>	<u>5,800</u>	<u>4,115</u>	<u>(1,685)</u>
Intergovernmental Revenue:				
Sales tax	<u>87,000</u>	<u>87,000</u>	<u>87,734</u>	<u>734</u>
Charges for Services:				
Water bills	90,000	93,000	94,520	1,520
Refuse collection	44,000	44,000	39,277	(4,723)
Other	7,000	7,000	2,972	(4,028)
Total Charges for Services	<u>141,000</u>	<u>144,000</u>	<u>136,769</u>	<u>(7,231)</u>
Interfund Equipment Rentals:				
Major Street	41,753	29,859	32,823	2,964
Local Street	40,227	23,951	26,754	2,803
Total Interfund Equipment Rentals	<u>81,980</u>	<u>53,810</u>	<u>59,577</u>	<u>5,767</u>
Fines	<u>3,000</u>	<u>5,000</u>	<u>5,609</u>	<u>609</u>
Interest	<u>9,000</u>	<u>4,000</u>	<u>2,330</u>	<u>(1,670)</u>
Rent	<u>5,990</u>	<u>5,990</u>	<u>5,664</u>	<u>(326)</u>
Miscellaneous Revenue:				
Miscellaneous	21,000	15,000	13,166	(1,834)
Sale of assets	-	-	651	651
Other	10,500	11,336	13,978	2,642
Total Miscellaneous Revenue	<u>31,500</u>	<u>26,336</u>	<u>27,795</u>	<u>1,459</u>
TOTAL REVENUES	<u>549,970</u>	<u>523,052</u>	<u>521,189</u>	<u>(1,863)</u>

(Continued)

**VILLAGE OF UBLY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
EXPENDITURES:				
General Government:				
Elected officials salaries	\$ 22,000	\$ 11,770	\$ 11,762	\$ 8
Office wages	-	8,634	8,600	34
Insurance	20,000	20,000	17,749	2,251
Employee benefits	63,500	56,500	55,122	1,378
Social security taxes	18,000	16,204	14,619	1,585
Office supplies and expense	3,000	3,000	3,220	(220)
Miscellaneous	11,000	5,000	3,738	1,262
Printing and publishing	2,500	2,500	1,338	1,162
Professional service	20,000	10,000	10,034	(34)
Dues and subscriptions	500	1,000	1,228	(228)
Garbage disposal	44,000	39,000	39,048	(48)
Election expense	1,500	870	865	5
Sidewalks and approaches	15,000	6,000	2,799	3,201
Telephone	1,000	1,400	1,548	(148)
Other	2,462	4,951	1,551	3,400
Total General Government	<u>224,462</u>	<u>186,829</u>	<u>173,221</u>	<u>13,608</u>
Public Safety:				
Salaries and wages - police	94,000	80,000	80,704	(704)
Salaries and wages - crossing guard	6,000	6,000	5,609	391
Auto expense and supplies	10,000	10,000	13,338	(3,338)
Zoning expense	1,000	1,000	417	583
Total Public Safety	<u>111,000</u>	<u>97,000</u>	<u>100,068</u>	<u>(3,068)</u>
Public Works:				
Salaries and wages	90,000	79,687	79,725	(38)
Street lights	27,000	23,000	22,469	531
Street maintenance	5,000	1,072	988	84
Sidewalk snow removal	2,000	1,000	263	737
Vehicle gas and oil	4,500	3,735	5,216	(1,481)
Repairs and maintenance	17,000	12,000	12,109	(109)
Electricity	2,000	2,000	2,156	(156)
Drain at large	1,200	1,200	2,106	(906)
Water systems:				
Electricity	5,000	3,000	3,172	(172)
Operation and maintenance	25,000	98,000	150,386	(52,386)
Water tower	-	5,836	5,133	703
Total Public Works	<u>178,700</u>	<u>230,530</u>	<u>283,723</u>	<u>(53,193)</u>

(Continued)

**VILLAGE OF UBLY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005
(CONTINUED)**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (Continued)				
Parks and Recreation:				
Operation and maintenance	\$ 5,000	\$ 5,000	\$ 3,393	\$ 1,607
Summer recreation	1,000	1,500	1,423	77
Total Parks and Recreation	<u>6,000</u>	<u>6,500</u>	<u>4,816</u>	<u>1,684</u>
Capital Outlay	285,000	206,960	191,969	14,991
TOTAL EXPENDITURES	<u>805,162</u>	<u>727,819</u>	<u>753,797</u>	<u>(25,978)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(255,192)</u>	<u>(204,767)</u>	<u>(232,608)</u>	<u>(27,841)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	-	48,824	48,824
Loan payments	(1,100)	(530)	(526)	4
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,100)</u>	<u>(530)</u>	<u>48,298</u>	<u>48,828</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(256,292)</u>	<u>(205,297)</u>	<u>(184,310)</u>	<u>20,987</u>
FUND BALANCE - BEGINNING OF YEAR	411,872	411,872	411,872	-
FUND BALANCE - END OF YEAR	<u>\$ 155,580</u>	<u>\$ 206,575</u>	<u>\$ 227,562</u>	<u>\$ 20,987</u>

**VILLAGE OF UBLY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005**

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 36,000	\$ 34,978	\$ (1,022)
Intergovernmental revenue	26,000	13,965	(12,035)
State grants	35,000	47,627	12,627
Interest	2,000	4,117	2,117
TOTAL REVENUES	<u>99,000</u>	<u>100,687</u>	<u>1,687</u>
EXPENDITURES:			
Streets:			
Routine maintenance	23,500	7,218	16,282
Traffic services	1,000	382	618
Snow and ice	14,500	23,028	(8,528)
Administrative	-	4,780	(4,780)
TOTAL EXPENDITURES	<u>39,000</u>	<u>35,408</u>	<u>3,592</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>60,000</u>	<u>65,279</u>	<u>5,279</u>
FUND BALANCE - BEGINNING OF YEAR	267,761	267,761	-
FUND BALANCE - END OF YEAR	<u>\$ 327,761</u>	<u>\$ 333,040</u>	<u>\$ 5,279</u>

**VILLAGE OF UBLY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005**

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 12,500	\$ 15,899	\$ 3,399
Intergovernmental revenue	14,500	15,011	511
State grants	20,000	22,716	2,716
Interest	1,500	2,340	840
TOTAL REVENUES	<u>48,500</u>	<u>55,966</u>	<u>7,466</u>
EXPENDITURES:			
Streets:			
Routine maintenance	10,500	12,842	(2,342)
Snow and ice	11,500	14,036	(2,536)
Administrative	-	2,244	(2,244)
TOTAL EXPENDITURES	<u>22,000</u>	<u>29,122</u>	<u>(7,122)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,500</u>	<u>26,844</u>	<u>344</u>
FUND BALANCE - BEGINNING OF YEAR	130,206	130,206	-
FUND BALANCE - END OF YEAR	<u>\$ 156,706</u>	<u>\$ 157,050</u>	<u>\$ 344</u>

ADDITIONAL INFORMATION

**VILLAGE OF UBLY, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND-LIBRARY FUND
FEBRUARY 28, 2005**

ASSETS

Cash	\$	16,481
Certificate of deposit		17,129
TOTAL ASSETS	\$	<u>33,610</u>

LIABILITIES AND FUND EQUITY

LIABILITIES:		
Accounts payable	\$	800
TOTAL LIABILITIES		<u>800</u>
FUND EQUITY:		
Fund balance		32,810
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>33,610</u>

VILLAGE OF UBLY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND-LIBRARY FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 10,000	\$ 21,119	\$ 11,119
Intergovernmental revenue	21,750	16,486	(5,264)
State grants	3,500	3,633	133
Charges for services	4,400	5,753	1,353
Interest	2,000	1,668	(332)
Rent	8,100	8,975	875
Contributions	2,750	2,477	(273)
Miscellaneous	1,800	1,894	94
TOTAL REVENUES	<u>54,300</u>	<u>62,005</u>	<u>7,705</u>
EXPENDITURES:			
Library:			
Salaries and payroll taxes	24,000	26,514	(2,514)
Books and periodicals	7,715	7,954	(239)
Operating supplies	800	560	240
Transportation	500	454	46
Professional services	2,200	2,429	(229)
Office supplies	800	1,570	(770)
Audio visual	1,000	3,264	(2,264)
Repairs and maintenance	1,800	4,465	(2,665)
Utilities	10,100	10,313	(213)
Insurance	1,685	1,108	577
Miscellaneous	1,700	4,509	(2,809)
Equipment	2,000	9,031	(7,031)
TOTAL EXPENDITURES	<u>54,300</u>	<u>72,171</u>	<u>(17,871)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(10,166)</u>	<u>(10,166)</u>
FUND BALANCE - BEGINNING OF YEAR	42,976	42,976	-
FUND BALANCE - END OF YEAR	<u>\$ 42,976</u>	<u>\$ 32,810</u>	<u>\$ (10,166)</u>

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August 5, 2005

Village Council
Village of Ubly
Ubly, Michigan 48475

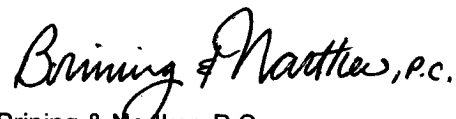
The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Village of Ubly for the year ended February 28, 2005, and are submitted for your evaluation and consideration. We would like to emphasize that, since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive.

Capitalization Policy

The process of implementing GASB Statement No. 34 requires a conversion from the fund financial statements to the government-wide financial statements. Capital assets are one of the items for which the accounting treatment differs between these two types of statements. For purposes of the government-wide statements, capital assets, which include buildings and equipment, are defined as being tangible in nature with an estimated useful life of two or more years and an original cost over a specified dollar threshold (e.g. \$1,000 or \$2,000). The cost of these capital assets is recorded in the government-wide statement of net assets and depreciated over the estimated useful life of the asset whereas the cost is treated as a current year expenditure for purposes of the fund financial statements.

We recommend that the Council adopt a capitalization policy that defines the criteria for recording a capital asset. This policy should include a dollar threshold over which the cost of an asset would be capitalized and the estimated useful lives for the various types of assets owned/used by the Village.

We wish to take this opportunity to thank the officials with whom we have worked for the cooperation we received throughout our audit. As always, our firm will be happy to assist in implementing any recommendations approved by the Council.



Brining & Nartker, P.C.
Certified Public Accountants